



Inspector General

Department of the Army



Date

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**Department of the Army Inspector
General Special Interest Item Assessment
of the Residential Communities Initiatives
(RCI)**

14 February – 22 March 2019



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Inspection Summary

*Department of the Army Inspector General
Special Interest Item Assessment of the
Residential Communities Initiatives (RCI)*

What We Did

On 13 February 2019, The Secretary of the Army directed an inspection of the United States Army Residential Communities Initiative (RCI) to assess the effectiveness, responsiveness and quality of RCI at all Army installations.

The objectives of the inspection were:

Objective 1: Assess the Army's and Installation's policies governing the RCI – Privatized Housing Program.

Objective 2: Assess installation's processes and procedures for validating (QA/QC) RCI company performance.

Objective 3: Assess the climate and customer satisfaction of the RCI program at each installation.

What We Found

Overall, the inspectors identified ten findings: one best practice, two deficiencies, and seven observations.

Key findings included:

- Senior commanders, garrison staffs and residents expressed confusion concerning the roles and responsibilities, and authorities regarding RCI housing.
- The oversight, governance, and synchronization were insufficient to identify current housing challenges.
- RCI deal structures present unique challenges to the Army (favored corporate companies).

What We Found, continued

- Installation housing offices were unable to validate RCI company performance (OA/OC).
- Senior commanders, garrison commanders, and Directorate of Public Works (DPW) and housing staffs were inadequately trained.
- Residents were dissatisfied with RCI companies' management performance.
- Residents were unaware of feedback mechanisms (i.e., Interaction Customer Evaluation (ICE), open door policy, town halls, etc.) to identify housing issues.
- Installations with a mayoral system appeared to have a higher degree of resident satisfaction.
- Military Families who spoke up about housing concerns and submitted multiple work orders experienced a perception of retribution, retaliation or reprisal from RCI companies.
- Historical homes present unique challenges to the Army, RCI companies and residents.

What We Recommend

The team made 20 recommendations to address the findings identified during this inspection. (See Table 1, page ii)

Department of the Army Inspector General Special Interest Item Assessment of the Residential Communities Initiatives (RCI)

Table 1-Recommendations

Stakeholder	Recommendation	Concurrence
DCS, G-1	1. In coordination with (ICW) Assistant Secretary of the Army (Installations, Energy and Environment) (ASA IE&E), Assistant Secretary of the Army (Manpower and Reserve Affairs), Assistant Chief of Staff for Installation Management (ACSIM), Army Materiel Command (AMC), and United States Army Reserve (USAR) / Army National Guard (ARNG) as appropriate, revise and publish AR 600-20 to include Senior Commander (SC) authorities for the oversight of housing. In the interim publish an Army Directive (AD) as a bridging strategy.	CONCUR
	2. ICW ACSIM, use the RCI content from the RCI PAM Handbook and develop/publish a single authoritative source for RCI to reinforce AR 420-1 and DA PAM 420-1-1 in order to standardize policies across each installation.	CONCUR
	3. ICW ACSIM, establish Enterprise Military Housing (eMH) as a single document repository NLT 30 September 2019. (Ongoing)	CONCUR
	4. ICW ACSIM, AMC, and USACE, review/rewrite the RCI report templates to include life, health and safety metrics.	CONCUR
	5. ICW ACSIM, AMC, and USACE enforce periodic RCI compliance inspections and develop follow-up mechanisms that includes the SC as part of the compliance oversight.	CONCUR
	6. ICW ACSIM, AMC, and USACE, establish/implement an enterprise approach (ASA (IE&E) down through garrisons)) to include a campaign plan for synchronizing and reporting on a frequent basis. (Ongoing)	CONCUR
ASA (IE&E)	7. ICW ACSIM, AMC and Office of the General Counsel (OGC), review/reassess the current RCI baseline business agreements and ground lease agreements, and ASA (IE&E) should consider renegotiation procedures to address the financial transparency and operational accountability of the RCI companies.	CONCUR
	10. ICW ACSIM and AMC, request operational and financial audit (to include historical records) of each project and establish a battle rhythm to validate portions of RCI program financial statements and operating expenses.	CONCUR
	11. ICW ACSIM, AMC, and Training and Doctrine Command (TRADOC), develop and/or enhance existing multi-level strategies to educate senior commanders, garrison commanders and staff on the regulations, policies, and authorities for RCI oversight.	CONCUR
	13. ICW ACSIM and AMC, establish a Tenant Bill of Rights and implement within the lease and other applicable documents. (Ongoing)	CONCUR

Department of the Army Inspector General Special Interest Item Assessment of the Residential Communities Initiatives (RCI)

	20. ICW ACSIM and AMC, review/assess the feasibility of continuing the historic home programmatic agreements, to include conducting a cost-benefit analysis.	CONCUR
AMC	8. Conduct a manpower assessment to validate housing office personnel shortfalls to include financial and engineer expertise and recruit to fill positions. (Ongoing) 9. Develop and publish OA/OC processes and procedures. Provide oversight and validate/certify garrison OA/OC operations. 12. Establish certification criteria and teams to train, provide assistance and certify garrison housing office operations on the current agreements NLT six months from date of this report.	CONCUR CONCUR CONCUR
	14. Develop quarterly customer satisfaction metrics managed by the Army to support incentive compensation.	CONCUR
	15. Develop a forum for residents to participate in RCI incentive payments.	CONCUR
	16. ICW ACSIM, develop a process for the garrison housing office to provide the potential tenant with work order history and condition assessments and the most recent Change of Occupancy Maintenance (COM) for the rented property prior to lease signing.	CONCUR
	17. Assist garrison leadership in developing a communications plan to inform residents of available mechanisms to resolve resident concerns and update quarterly report templates to include resident outreach events.	CONCUR
	18. Develop and provide guidance to garrisons on formalizing a residents' community association to address resident concerns.	CONCUR
ACSIM	19. IAW HODA EXORD 102-19 ARMY HOUSING CRISIS ACTION RESPONSE, ICW Commanders of Army Commands (ACOM), Army Service Component Commands (ASCC), and Direct Reporting Units (DRU), with senior commanders of posts with Army housing, continue to maintain a command hotline at each installation to respond to Army housing concerns of Soldiers and Families (Para 3.C.12.A.7.). (Complete)	CONCUR

Stakeholder Comments

The DAIG briefed all stakeholders on the findings and recommendations contained in this report from 1-10 April 2019. All stakeholders concurred with the recommendations.



DEPARTMENT OF THE ARMY
THE INSPECTOR GENERAL
1700 ARMY PENTAGON
WASHINGTON DC 20310-1700

SAIG-ID

MEMORANDUM FOR SECRETARY OF THE ARMY

SUBJECT: Department of the Army Inspector General Special Interest Item Assessment of the Residential Communities Initiative (RCI)

1. Purpose. Inspectors from the Department of the Army Inspector General (DAIG) Inspection Division, augmented by subject matter experts from ASA (IE&E) and ACSIM conducted a Special Interest Item Assessment of Army Residential Communities Initiatives Privatized Housing Program to determine the effectiveness, responsiveness, and value of RCI companies across all Army components.
2. Objectives/Background. On 13 February 2019, the Secretary of the Army directed DAIG to conduct an expedited special interest item assessment of the RCI to determine the effectiveness, responsiveness, and value of RCI companies across all Army components. The three inspection objectives were:
 - a. Objective 1: Assess the Army's and installation's policies governing the RCI – privatized housing program.
 - b. Objective 2: Assess installation's processes and procedures for validating (QA/QC) RCI company performance.
 - c. Objective 3: Assess the climate and customer satisfaction of the RCI program at each installation.
3. Summary of Inspection Results. Overall, the inspection team identified ten findings: one best practice, two deficiencies, and seven observations. The key findings included: (1) Senior commanders, garrison commanders, DPW housing staff, and residents expressed confusion concerning the roles/responsibilities and authorities regarding RCI housing; (2) The oversight, governance, and synchronization were insufficient to identify the current housing challenges; (3) Current RCI deal structures present unique challenges for the Army; (4) Installation housing offices were unable to validate RCI company performance (QA/QC); (5) Senior commanders, garrison commanders, DPW directors, and housing staff were inadequately trained; (6) Residents were dissatisfied with RCI property management performance; (7) Residents were unaware of mechanisms to elevate housing concerns to garrison commanders and DPW housing staff; (8) Installations with a mayoral system appeared to have a higher degree of resident satisfaction; (9) Military families who spoke up about housing conditions and submitted multiple work orders experienced a perception of retribution, retaliation, or

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SUBJECT: Department of the Army Inspector General Special Assessment of the Residential Communities Initiative (RCI)

reprisal from RCI companies; and (10) Historical homes presented unique challenges to the Army, RCI companies and residents. The team made 20 recommendations to address the findings identified during this inspection.

4. Verification. The intent of verification is to ensure the correctness and accuracy of the inspection report and to capture stakeholders' comments. All stakeholders in this inspection report concurred with the findings and recommendations in the report.

5. Endorsement. I endorse this inspection report and submit these results to the senior leaders of the Army for disposition.

6. My point of contact is Ms. (SES) Laura Jankovich, Director of Army Inspections, (b)(6);(b)(7)(C) or email (b)(6) (b)(7)(C)@mail.mil.

Digitally signed by
SMITH.LESLIE.CARLTON (b)(6)
LTON (b)(6);(b)(7)(C) (b)(6)
Date: 2019.05.15 12:14:37
-04:00

LESLIE C. SMITH
Lieutenant General, USA
The Inspector General

CF:

Assistant Secretary of the Army (Manpower and Reserve Affairs)
Assistant Secretary of the Army (Installations, Energy and Environment)

Deputy Chief of Staff, G-1

Chief, Army Reserve

Chief of Engineers

Assistant Chief of Staff for Installation Management

Commander

U.S. Army Forces Command

U.S. Army Training and Doctrine Command

U.S. Army Materiel Command

U.S. Army Pacific

U.S. Army Corps of Engineers

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1-Introduction

Purpose

The purpose of this inspection was to conduct an expedited special interest item inspection to assess the effectiveness, responsiveness and quality of RCI at all Army installations.

Background

On February 10, 1996, the President signed the Fiscal Year 1996 National Defense Authorization Act, which established the Military Housing Privatization Initiative (MHPI). The new law provided the Secretary of Defense and each service secretary the authority and funding to enter into agreements with private property management firms with the goal of improving the quality of family housing in the military. From 1996-1999, the United States Army began a privatization pilot at Fort Carson, CO and on October 31, 2000, the first privatized home was completed. In the years that followed, the Residential Communities Initiative (RCI) was established, and each Army installation began to privatize military family housing. By the end of 2010, nearly all Army installations had completed privatization agreements for family housing. Currently there are 34 RCI projects at 49 Army installations at which the garrison commander is the Secretary of the Army representative for privatized housing. In recent years however, the Army experienced budget and personnel reductions that impacted garrison housing staff manning and operations. To mitigate, in February 2013, the ASA (IE&E) published a major decision policy memorandum elevating many decisions and oversight responsibilities of the program to higher headquarters. On 13 February 2019, military housing residents testified to members of Congress of unacceptable conditions in privatized housing at various military installations. Immediately following the hearing, the Secretary of the Army directed the Department of the Army Inspector General (DAIG) to conduct this special assessment. This is the first DAIG's inspection of RCI.

Objectives

The 3 objectives of the RCI special assessment were:

- a. Objective 1: Assess the Army's and Installation's policies governing the RCI – Privatized Housing Program.
- b. Objective 2: Assess installation's processes and procedures for validating (QA/QC) RCI company performance.
- c. Objective 3: Assess the climate and customer satisfaction of the RCI program at each installation.

2-Methodology

Scope

The team prepared for the inspection with a comprehensive review of all applicable Army policies pertaining to RCI. The team had multiple training sessions with subject matter experts from ACSIM and ASA (IE&E) in order to gain a better understanding of the topic, develop the inspection purpose, objectives and tools used throughout the inspection.

The inspection began on 13 February 2019 and focused on effectiveness, responsiveness and quality of RCI at all Army installations with privatized military housing programs.

The inspection team used the following means to collect data and document best practices:

- Interviews with key HQDA and IMCOM housing officials.
- Interviews with installation senior commanders, garrison commanders, garrison housing staff and RCI private company property management personnel.
- Sensing sessions with residents.
- Document review of business and operating agreements, compliance inspections, Army and installation policies, work order processes and procedures, financial audits and other agency inspection reports.

a. **Sites inspected.** The inspection team conducted a pre-inspection at Fort Belvoir, Virginia in order to validate the inspection methodology. The data collected is from all 49 locations (41 Continental United States (CONUS) and 8 Outside Continental United States (OCONUS)) at which the United States Army has privatized family housing.

CONUS	OCONUS
Fort Belvoir, VA (Pre-inspection site)	Fort Shafter, HI
Presidio of Monterey, CA	Scholfield Barracks, HI
Naval Post Graduate Academy, CA	Tripler Army Medical Center, HI
Camp Parks, CA	Helemano Military Reservation, HI
Moffett Field, CA	Wheeler Army Airfield, HI
Fort Irwin, CA	Aliamanu Military Reservation, HI
Joint Base Lewis-McChord, WA	Fort Greely, AK
Yuma Proving Ground, AZ	Fort Wainwright, AK
Fort Huachuca, AZ	
Fort Meade, MD	
Fort Hamilton, NY	
West Point, NY	
Fort Drum, NY	

Picatinny Arsenal, NJ	
Aberdeen Proving Ground, MD	
Fort Carson, CO	
Fort Leavenworth, KS	
Fort Riley, KS	
Fort Leonard Wood, MO	
Fort Knox, KY	
Fort Campbell, KY	
Fort Polk, LA	
Fort Rucker, AL	
Fort Benning, GA	
Fort Bragg, NC	
Redstone Arsenal, AL	
Joint Base Langley-Eustis, VA	
Fort Story, VA	
Fort Lee, VA	
Fort Jackson, SC	
Fort Gordon, GA	
Fort Stewart, GA	
Hunter Army Airfield, GA	
Fort Detrick, MD	
Walter Reed, MD	
Fort Bliss, TX	
White Sands Missile Range, NM	
Fort Hood, TX	
Fort Sam Houston, TX	
Fort Sill, OK	
Carlisle Barracks, PA	

b. DAIG in-brief/out-brief. Prior to and at the conclusion of each inspection site visit, the senior commander, at each location, received a brief from the inspection team. The in-brief highlighted the inspection's purpose and objectives, while the out-brief provided the commander and staff with immediate feedback and observations.

c. Interviews. Each team conducted interviews with senior leaders at each installation, housing personnel as well as RCI private company property management personnel. Additionally, DAIG conducted interviews with senior housing program officials. The DAIG conducted 227 interviews with the following personnel:

- IMCOM senior housing officials,
- USACE (Norfolk) personnel,
- Installation senior commanders,
- Garrison commanders,
- Directorate of Public Works (DPW) directors,
- Army RCI asset managers (housing directors),

- Private housing company housing operations and maintenance management personnel, and
- Private housing company property managers/directors.

d. Sensing Sessions. The DAIG conducted 116 sensing sessions with residents at all 49 Army RCI locations, for a total of 1,493 contacts.

e. Surveys. In conjunction with each sensing session, the DAIG distributed surveys to each resident participant. The DAIG team collected a total of 1,180 surveys.

f. Document reviews. The inspection team conducted 1,023 document reviews that included:

- Public law,
- Army policies,
- Residential Communities Initiative Privatized Army Lodging Portfolio and Asset Management Handbook, Version 5.0, September 2014,
- Ground lease for each project,
- Property management agreements,
- Operating agreement/partnership agreements,
- Asset management agreements,
- United States Army Corps of Engineers (USACE) ground lease compliance inspections,
- Installation Management Command (IMCOM) RCI compliance inspections,
- Historical Army Audit Agency reports,
- Installation policies,
- 2018 HQDA RCI resident survey,
- Audited RCI project financial statements, and
- RCI company work order database review.

g. Terminology. In this report, the quantitative terms such as "few," "some," "majority," and "most" describe the percentile ranges of personnel interviewed and surveyed, or represent a percentile of organizations inspected. The following subjective terms are used:

None	0 percent	Majority	51% - 75%
Few	1% - 25%	Most	76% - 89%
Some	26% - 49%	Nearly All	90% - 99%
Half	50%	All	100%

3-Findings

Objective 1: Assess the Army's and installation's policies governing RCI – Privatized Housing Program.

Finding-1 (Deficiency)

Senior commanders (SC), garrison commanders (GC), DPW housing staff, and residents at all installations expressed confusion concerning the roles, responsibilities and authorities regarding RCI housing.

Discussion

Standards.

- Army Regulation (AR) 420-1 (Army Facilities Management), 24 August 2012.
- AR 600-20 (Army Command Policy), 6 November 2014.
- Department of the Army Pamphlet (DA PAM) 420-1-1 (Housing Management), 2 April 2009.
- Residential Communities Initiative Privatized Army Lodging Portfolio and Asset Management Handbook (RCI PAM Handbook), Version 5.0, September 2014.
- Memorandum, Headquarters (HQ) Department of the Army (DA), SAIE, 5 February 2013, subject: Residential Communities Initiative (RCI) Policy for Major Decisions Authority-Policy Memorandum #1.
- Memorandum, Headquarters (HQ) Department of the Army (DA), SAIE-IHP, 16 August 2018, subject: Documentum Data Migration and Shutdown.

What We Found. Through interviews and document reviews, the DAIG inspection teams recognized general confusion and frustration regarding authorities granted to installation personnel in managing oversight of the RCI program and the managing member (RCI private company). Installation command teams and staff cited multiple Army housing references where RCI and tenant advocacy roles and responsibilities were unclear. At nearly all (48 of 49, 98%) locations, inspection teams recognized GCs, DPW directors, and RCI assets managers (housing) did not have detailed working knowledge of Army regulations and policy governing RCI or baseline business agreements for their specific location.

Document reviews of multiple Army policies, in particular AR 600-20, revealed a complete absence of SC roles and authorities with respect to RCI housing. During interviews, SCs expressed concern they were not part of the decision and oversight

mechanisms concerning Quality Assurance (QA), customer satisfaction, Incentive Fee awards, and major decision approval authorities. Nearly all SCs (36 of 37, 97%) expressed their rank, influence, and proximity to each RCI project would assist in overseeing and negotiating with RCI family housing privatized companies.

Further document reviews of Army housing regulations (AR 420-1 and DA PAM 420-1-1) highlights additional confusion regarding roles and responsibilities for SCs and GCs. These regulations contain detailed policies, procedures, and responsibilities for management specific to government-owned and operated housing, general and flag officer housing, and government-owned and controlled unaccompanied personnel housing. However, they do not contain detailed information regarding RCI, except DA PAM 420-1-1, which directs the reader to the RCI PAM Handbook. The handbook outlines guidance specific to RCI roles and responsibilities, as well as compliance-oversight requirements and procedures. Unfortunately, the RCI PAM Handbook is an all-encompassing prolific document, yet, it does not contain detailed roles and responsibilities for SCs and GCs to manage the RCI portfolio. Additionally, creating further confusion, the RCI PAM Handbook also includes specific guidance regarding Privatized Army Lodging (PAL). All references to PAL should be included in a separate reference document and the RCI PAM handbook should be the collective RCI single authoritative source.

Proper oversight at the garrison level requires access to, and detailed working knowledge of, foundational documents (e.g., ground leases, property management agreements, operating agreements/partnership agreements, asset management agreements, and Incentive Performance Management Plans (IPMP), etc.). An electronic document repository, "Documentum," was established by USACE Norfolk (the RCI Subject Matter Expert (SME)) and paid for by ASA (IE&E) in order to memorialize all foundational documents. At least one RCI housing staff member at each RCI Project location had access to their specific deal documents stored in Documentum. In addition, multiple users were granted access at IMCOM HQ, ACSIM, and ASA (IE&E). The Documentum database was cumbersome to use and lacked common document nomenclature, which led to reduced utilization. In 2018, because of this low utilization combined with rising costs to maintain the repository, ASA (IE&E) discontinued Documentum. To mitigate, ASA (IE&E) directed ACSIM as the single point of contact for all RCI related document sharing in the Army. The online repository is now being re-established using another online repository called Enterprise Military Housing (eMH) at no additional cost to the current eMH services being provided to the Army. Of note, during the inspection there was no active and accessible repository during the timeframe of the inspection. DAIG requested all current RCI working document versions; however a full inventory of RCI agreements was never provided.

Root Cause. Don't Know

Finding-1 Recommendations

Recommendation 1

Deputy Chief of Staff (DCS), G-1 In Coordination With (ICW), Assistant Secretary of the Army (Installations, Energy and Environment) (ASA-IE&E), Assistant Secretary of the Army (Manpower and Reserve Affairs), Assistant Chief of Staff for Installation Management (ACSIM), Army Materiel Command (AMC), and United States Army Reserve (USAR) / Army National Guard (ARNG) as appropriate, revise and publish AR 600-20 to include SC authorities for the oversight of housing. In the interim, publish an Army Directive (AD) as a bridging strategy.

Recommendation 2

ASA (IE&E) ICW ACSIM use the RCI content from the ACSIM PAM Handbook and develop/publish a single authoritative source for RCI to reinforce AR 420-1 and DA PAM 420-1-1 in order to standardize policies across each installation.

Recommendation 3

ASA (IE&E) ICW ACSIM establish Enterprise Military Housing (eMH) as a single document repository NLT 30 September 2019. (Ongoing)

Finding-2 (Observation)

The oversight, governance, and synchronization of ASA IE&E, ACSIM, Installation Management Command (IMCOM), United States Army Corps of Engineers (USACE), and garrison staff were insufficient to identify the current housing challenges.

Discussion

Standard. RCI PAM Handbook.

What We Found. The oversight, governance, and synchronization of OASA (IE&E), OACSIM, IMCOM, USACE, and garrison staff did not identify the current housing challenges. Life, health, and safety items were neither part of the current Army housing inspection templates, nor were the frequency of compliance visits being followed. An enterprise approach to compliance oversight is needed to provide visibility of issues and synchronization to correct.

The oversight, governance, and synchronization of RCI private company and affiliates' performance is the combined responsibility of OASA (IE&E), OACSIM, IMCOM, USACE and garrison staff. The Army accomplished this combined oversight role through information provided by the RCI companies, through self-generated compliance

inspections, and two surveys: the quarterly RCI private company-generated customer service survey and the Army's annual customer service survey. Further periodic reporting templates used at every level of the RCI organization did not include life, health, and safety concerns.

The RCI PAM Handbook requires the ACSIM Privatization and Partnership Division-Project Manager (PPD-PM) to conduct annual compliance visits to each installation/project. The PAM Handbook also requires USACE to conduct annual ground lease compliance inspections, normally concurrent to ACSIM PPD-PM compliance visits. Additionally, the handbook recommends team members from other organizations (e.g. IMCOM, OGC) to participate in the visits. Because of reduced budgets, Army wide compliance inspections were reduced from annual to bi-annual. Furthermore, family housing Table of Distribution and Allowance (TDA) positions were eliminated at all levels and travel funds were restricted, inhibiting ACSIM's ability to conduct compliance visits. As a result, over the last three years, ACSIM conducted compliance site visits at a majority of RCI housing sites (27 of 49, 55%), while USACE inspected nearly all (46 of 49, 94%) of the locations over the same three-year period. However, only one site visit was a combined comprehensive effort between ACSIM, IMCOM and USACE, as recommended in the RCI PAM Handbook. The Army's compliance inspection results did not include a follow-up process, were not communicated to SCs, and did not reflect life, health, or safety (e.g., mold, electrical) items. RCI companies did not provide any information regarding life, health, or safety concerns.

A collective enterprise approach to RCI company oversight is needed. Every element of the RCI organization should be involved from OASA (IE&E) down through the garrisons. The effort should result in a campaign plan. The plan should also synchronize oversight of each project IAW published frequency.

Root Cause. Can't Comply

Finding-2 Recommendations

Recommendation 4

ASA (IE&E), ICW ACSIM, AMC, and USACE, review/rewrite the RCI report templates to include life, health and safety metrics.

Recommendation 5

ASA (IE&E), ICW ACSIM, AMC, and USACE enforce the frequency of RCI compliance inspections and develop follow-up mechanisms that includes the SC as part of the compliance oversight.

Recommendation 6

ASA (IE&E), ICW ACSIM, AMC, and USACE, establish/implement an enterprise approach (OASA (IE&E) down through garrisons)) to include a campaign plan for synchronizing and reporting on a frequent basis. (Ongoing)

Finding-3 (Observation)

RCI deal structures (e.g., baseline business agreements) present unique challenges for the Army (favored corporate companies).

Discussion

Standards.

- Department of Defense (DOD) Directive 5000.01, "The Defense Acquisition System," 31 August 2018.
- DOD Manual 4165.63, "DOD Housing Management," 28 October 2010.
- HQDA SAIE Memo Policy #1.
- Ground leases.
- RCI Company Operating Agreement – "Books and Records".
- Asset Management Agreement.
- Property Management Agreement.
- Development Agreement.
- Construction Services Agreement.

What We Found. All (42 of 42, 100%) GCs indicated that RCI deal structures and agreements present unique challenges to the Army, and require review and revision. DAIG reviewed various business agreements and discovered the terms of those agreements vary by location with no standardization. RCI deal structures are Public Private Partnerships (PPPs).

The baseline business agreements are not based on Federal Acquisition Regulation (FAR) and are not funded through an appropriation process. Instead, RCI is funded through private commercial debt facilities, are accounted for using Generally Accepted Accounting Principles (GAAP) IAW DODD 5000.01 and DOD-M 4165.63. The business agreements are founded in civilian contract law. Each RCI family housing project is a single-purpose entity, Limited Liability Company (LLC). The Army owns 49% of each

LLC, the Minority Owner. The RCI private company owns 51% of each LLC, the Managing Member.

Full operational and fiscal transparency needs enforcement. RCI companies were not fully forthcoming with information. The Company Operating Agreement, under the section "Books and Records," allowed the Army to conduct audits and to access all RCI-related business documents. However, based on DAIG review of managing documents and inspection reports, the Army did not aggressively pursue that information when not provided. By the RCI private company not fully disclosing information, it inhibited the Army's ability to validate reports (e.g. the monthly dashboard components, work order metrics, incentive performance metrics). The Army was therefore not able to fully protect Return on Investment (ROI).

Base and incentive fees are not structured to provide RCI companies with significant performance incentives. Most (32 of 42, 76%) garrison commands have, at different times, distributed less than 100% of the incentive fees to the company, however, base fees are a higher percentage of the overall fee structure and are paid-in-full regardless of performance.

While this shows garrisons can work within the current system to try to influence the companies' behavior, only some housing directors (15 of 38, 39%), DPW directors (11 of 35, 31%), and GCs (12 of 42, 29%) thought the incentive program was effective in motivating the RCI private companies to improve the quality of housing and services. However, incentive fee metrics were easily achieved and diminish the intent to incentivize higher standards of performance (e.g., a resident satisfaction rate of 70-75% equates to a 100% satisfaction portion incentive award to the company).

The Managing Member's Asset Management affiliate is contractually responsible for ensuring fiduciary oversight of the RCI private companies' other affiliate activities (Property Management, Development, and Construction) and for ensuring Quality Assurance (QA). The Property Manager is responsible for the day-to-day management and maintenance of the property and is the primary contact for the residents with regard to property management and maintenance, subject to the direction and control of asset manager. However, asset and property management companies self-report and did not recognize any life, health, or safety concerns prior to this DAIG RCI review effort.

Residents reported concerns to the property management company. The expectation was that the property manager would protect the interests of the LLC and correct the resident issue, protect the asset, and address any possible life, health, or safety-related issues. However, residents at all locations (49 of 49, 100%) believed the property management company placed the interests of affiliate companies above life, health, and

safety. Maintenance manpower was reduced to the point of being ineffective and housing directors had little to no training and limited access to each work order database.

The Army (owning 49%) is party to deal structures, which increase the risk of self-dealing by Managing Members and their affiliate companies. Managing Members own 51% of the LLC. The Managing Member also owns the asset manager, developer, general contractor, and in some (20 of 49, 41%) cases the property manager, as well. In instances where the property manager is not directly affiliated with the Managing Member, the property management company is directly affiliated with some other RCI managing member. The Army does not have any fiscal interest in, or affiliation with these additional companies.

Finally, SCs and GCs at all (49 of 49, 100%) locations expressed a need for increased involvement and autonomy with major decisions (e.g., Incentive Fees, proposed agreement revisions, etc.). Yet, at nearly all (48 of 49 (98%) locations, GCs, DPW directors, and RCI asset managers (housing) did not have a working knowledge of Army regulations and policies governing RCI and baseline agreements for their location. In addition, IMCOM has reduced the onsite housing staff at each location by eliminating all but the hub and spoke personnel with financial and engineering expertise. IMCOM developed the hub and spoke concept to elevate certain housing staff functions (e.g. financial oversight) to the IMCOM directorates (formerly regions). The 2013 Major Decision memorandum requires all major decisions to be generated at the garrison level and approved by ASA (IE&E), where the dynamics and needs of the entire RCI family housing portfolio are taken into consideration.

Root Cause. N/A

Finding 3-Recommendation

Recommendation 7

ASA (IE&E), ICW ACSIM, AMC and Office of the General Counsel (OGC), review/reassess the current RCI baseline business agreements and ground lease agreements, and ASA (IE&E) should consider renegotiation procedures to address the financial transparency and operational accountability of the RCI companies.

Objective 2: Assess installation's processes and procedures for validating (QA/QC) RCI company performance.

Finding-4 (Deficiency)

Installation housing offices were unable to validate (QA/QC) RCI company performance.

Discussion

Standard.

- RCI PAM Handbook.
- HQDA SAIE Memo Policy #1.

What We Found. In the past decade, the Army experienced severe budget reductions. In an effort to mitigate budgetary restriction risk, the Army prioritized the operating force over the generating force, to include garrison DPWs that oversaw housing offices. When these reductions occurred, risk was assumed, and as a result oversight of the RCI program was greatly diminished. In order to manage this risk and compensate for the loss of garrison housing staff, the ASA (IE&E), published the Residential Communities Initiative (RCI) Policy for Major Decisions Authority-Policy Memorandum #1, 5 February 2013, which removed much of the GC's authority and oversight responsibilities. Additionally, the policy specifically prohibited health and welfare inspections of privatized housing, removed the GC from the eviction process and restricted them from influencing housing assignment processes. Lastly, IMCOM utilized the hub and spoke to conduct financial oversight, which further elevated the oversight roles and responsibilities for RCI. This resulted in less involvement from GCs in oversight of RCI projects.

A majority of housing directors (23 of 38, 61%), DPW directors (23 of 35, 66%), and GCs (31 of 42, 74%) expressed that their installation had an ineffective oversight program. In addition to shrinking budget, the inspection teams determined there were three main causes for this. First, garrison housing section TDAs did not have enough personnel required or authorized to oversee the RCI program properly. Second, nearly all (48 of 49, 98%) commands stated housing personnel lacked proper guidance on how to oversee the RCI program. Finally, all (49 of 49, 100%) garrisons lacked company system (e.g. Yardi, RealPage) access or personnel adequately trained to access the financial and operational data of the RCI private companies' operations in order to conduct quality assurance of their monthly dashboard reports.

Garrison command team and housing staffs stated they need more personnel in the privatized housing section in order to meet the oversight needs of the program. When asked if housing offices are resourced adequately to conduct periodic QA/QC inspections, most housing directors (31 of 38, 82%), DPW directors (29 of 35, 83%), and a majority of GCs (29 of 42, 69%) stated they are not.

At nearly all (47 of 49, 96%) locations, GCs, DPW directors, and housing directors reported insufficient staffing to perform RCI tasks IAW the PAM Handbook (e.g., QA/QC of work order system, quality assurance inspections, validating RCI private company incentive fee calculations and reporting, resident liaison, and project budget analysis and reporting).

In examining the TDAs for the different installations, there did not appear to be any correlation between the number of housing units on post and the required billets under the Privatized Housing Section (paragraph 054D) of the garrison TDA. One installation with 6,544 units under RCI management required five personnel in the privatized housing division, and authorized three. This equates to one garrison employee per 2,181 homes for quality assurance. This is in contrast to a small installation with 593 units, which required two personnel in their privatized housing division, and authorized one.

The industry standard for property management is one employee for every 100-150 units. Considering the Army is not the active property manager in the RCI program but simply the asset manager, this ratio can be adjusted. One GC suggested his team could provide adequate quality assurance of the program with one privatized housing section employee for every 200 units. Further analysis is needed to identify what the proper manning, skill sets, and grade structure is for garrison privatized housing sections.

IMCOM TDA reductions reflect several changes in the budget and RCI environment. Over the past 10 to 15 years, the majority of RCI housing has transitioned from initial build/construction to a sustainment period where the need for the number of engineers and construction inspectors is reduced. The focus is now on the QA/QC of RCI private company maintenance performance. However, budget reductions over the last five years, and especially the most recent tranche of reductions, have caused garrisons to reduce housing office staff, resulting in difficulty conducting QA/QC in addition to their company management oversight responsibilities. GCs also reported future reduction in FY21 will continue to negatively impact RCI oversight.

The RCI PAM Handbook does not inform garrison housing offices or garrison commands how to perform and oversee the QA/QC of RCI company performance. This lack of clear guidance led to differing methods of QA/QC with no clear standard across installation commands. At nearly all (45 of 49, 92%) locations, housing offices lacked published QA/QC procedures. Moreover, only a few DPW directors (4 of 35, 11%) and some GCs (13 of 42, 31%) perceived their training in the housing QA/QC process to be adequate. This challenge is discussed further in Finding 5.

The IPMP is one of the tools that GCs have to influence company performance. As stated earlier, most (32 of 42, 76%) garrison commands have, at different times, distributed less than 100% of the incentive fees to the company. Garrison commands told the inspection teams that instances of this occurred due to either poor quality of maintenance, or poor customer service on the part of the company. The inspection teams noted the low threshold for incentive program metrics are easy to achieve (e.g., a customer satisfaction rate of 70%- 80% equates to 100% of the Incentive Fee being distributed). This resulted in a weakened QA/QC tool available to GCs.

Nearly all (48 of 49, 98%) locations, lacked financial and operational transparency, which inhibits the government's ability to conduct financial and operational analysis. As a result of personnel reductions, IMCQM utilized a hub-and-spoke concept to conduct financial and engineering oversight. This initiative was intended to streamline processes. The resulting shift of some activities from the garrison to the region have not been universally successful. There is a perception that RCI private companies are not properly managing finances and not investing the right amount of funds in maintenance and sustainment of homes. The business agreements require GCs to validate reports for the program (e.g., monthly dashboard components, work order metrics, incentive performance metrics), but the remoteness of the hub and spoke structure severely limits GCs' ability to validate these reports.

Root Cause. Don't Know/Can't Comply

Finding-4 Recommendations

Recommendation 8

AMC conduct a manpower assessment to validate housing office personnel shortfalls, to include financial and engineer expertise and recruit to fill positions. (Ongoing)

Recommendation 9

AMC develop and publish QA/QC processes and procedures. Provide oversight and validate/certify garrison QA/QC operations.

Recommendation 10

ASA (IE&E), ICW ACSIM and AMC request operational and financial audit (to include historical records) of each project and establish a battle rhythm to validate portions of RCI program financial statements and operating expenses.

Finding-5 (Observation)

SCs, GCs, DPW Directors, and RCI Asset Managers (housing) stated they are not receiving adequate RCI training from ACSIM and IMCOM.

Discussion

Standard. RCI PAM Handbook.

What We Found. Throughout this inspection, SCs, GCs, DPW directors, and RCI asset managers (housing) stated they did not receive adequate RCI training. All (37 of 37, 100%) SCs interviewed, stated they did not receive training on RCI or the Army's expectations of SCs related to RCI prior to taking command or as part of the Army Strategic Executive Program. All (42 of 42, 100%) GCs interviewed, stated they did not receive adequate RCI training at the IMCOM Garrison Pre-Command Course (GPCC). GCs noted the lack of knowledge surrounding the incentive award process and ground lease authorities as a hindrance to their ability to properly manage RCI. At nearly all (48 of 49, 98%) locations, GCs and DPW housing staff stated they lacked a detailed knowledge of business agreements governing RCI. Furthermore, DPW housing staffs reported sporadic attendance at other ACSIM or IMCOM led training events specifically designed for housing directors and other housing personnel.

IMCOM is the proponent for the coordinated staffing and execution of the GPCC. In the revised (22 March 2018) DPW overview portion of the GPCC, RCI is mentioned on one slide containing four bullet comments, two of which illustrate the relationship and responsibilities of the GC in regards to RCI. IMCOM has introduced a chain-teaching lesson plan on housing entitled, 'GPCC housing Senior Leader Training,' with 25 slides dedicated to the GCs and housing office responsibilities related to RCI. In those slides, IMCOM stipulated recent directives resulting from Congressional interest and emphasizes commanders' ability to visit Soldiers in privatized housing and to conduct health and welfare inspections.

ACSIM is the proponent for training government asset managers (housing directors). This training is part of Career Program 27 (CP-27) and detailed in the Army Civilian Training, Education and Development System (ACTEDS) Plan. Although RCI specific training is required for careerists, all (40 of 40, 100%) housing directors reported these courses inadequately prepared them to oversee the RCI program. Specifically, housing

staffs reported knowledge gaps regarding RCI authoritative and legal documents (e.g., ground leases, business agreements). The RCI PAM Handbook outlines program management-specific training intended for housing staffs to bridge these gaps. The training, designed to educate the specifics of the PAM, was conducted during the initial phases of the RCI project and then periodically throughout the life of the project, annually or as transitions or changes in personnel occurred. The inspection team discovered that although the initial training phases were completed, all (40 of 40, 100%) housing and DPW personnel reported the annual or transitional training availability has diminished over time, mainly due to budget and personnel reductions over the past 5-10 years. This has created knowledge gaps.

Overcoming institutional training challenges addresses the long term solution; leaders will be better prepared to assume duties and responsibilities. Efforts must be made to rapidly assist, train, and certify those currently in positions of responsibility and authority.

Root Cause. Don't Know

Finding-5 Recommendations

Recommendation 11

ASA (IE&E) ICW ACSIM, AMC, and Training and Doctrine Command (TRADOC), develop and/or enhance existing multi-level strategies to educate senior commanders, garrison commanders and staff on the regulations, policies, and authorities for RCI oversight.

Recommendation 12

AMC establish certification criteria and teams to train, provide assistance and certify garrison housing office operations on the current agreements NLT six months from date of this report.

Objective 3: Assess the climate and customer satisfaction of the RCI program at each installation.

Finding-6 (*Observation*)

Residents were dissatisfied with RCI companies' property management performance.

Discussion

Standard. RCI PAM Handbook.

What We Found. At nearly all (48 of 49, 98%) locations, residents expressed concerns with safety or environmental issues and some level of dissatisfaction with their privatized housing experience. One of the key areas of dissatisfaction was the maintenance and work order process. Residents reported a lack of communication and lack of transparency from the property management companies. Residents perceived an emphasis on cost savings above quality work and resident satisfaction. Finally, the validity of company-provided resident satisfaction information was a concern.

During sensing sessions with residents, inspection teams asked residents to complete housing surveys. The teams collected a total of 1,180 surveys, but residents did not respond to every question on the survey, thereby the total number of respondents on each survey question varied from question to question. Additionally over 1,400 residents attended the sensing sessions, but generally the DAIG teams collected only one survey per household. Finally, for certain questions dealing with safety, environmental concerns and property management responsiveness, the DAIG teams took a physical count of residents responding "yes" or "no" and recorded those individual responses.

At nearly all (48 of 49, 98%) locations, residents who participated in sensing sessions expressed some level of concern with safety and environmental issues. The top environmental concerns included mold, lead-based paint, asbestos, water quality, open sewage, and radon gas. Resident feedback from the sensing sessions revealed most residents (1,078 of 1,404, 77%) expressed that safety was not a priority with the private housing company, and the majority of residents (741 of 1,428, 52%) had environmental concerns with their housing. Additionally, the majority of residents (907 of 1,426, 64%) stated the property manager was not responsive in solving their housing needs. Residents also voiced a lack of transparent and open communication from property management to the residents. DAIG survey data revealed most (885 of 1,172, 76%) respondents were dissatisfied with communication (from the property manager) regarding potential hazards in the home.

Overall survey data revealed a majority (751 of 1,108, 68%) of respondents were dissatisfied with their overall privatized housing experience. The majority (712 of 1,118, 64%) of respondents stated they would move off post if there were no financial costs or concerns. However, at some remote or high-cost locations, residents often believed on-post privatized housing was their only option. Overall, only some (420 of 1,161, 36%) respondents indicated some level of satisfaction with the quality and service provided by the property manager.

Residents at nearly all (48 of 49, 98%) locations expressed some level of dissatisfaction with aspects of the maintenance performed on privatized housing. The key frustrations expressed by residents included the timeliness of repairs (particularly for routine work orders), and post-work order follow-up (property management or the Army housing office calling the resident to receive their feedback/satisfaction with the work conducted). From the survey data, the majority (732 of 1,167, 63%) of respondents were dissatisfied with the overall quality of maintenance services. Additionally, the majority (744 of 1,163, 64%) of respondents were dissatisfied with the timely completion of work orders.

The residents generally described the property managers' poor communication in the following key areas:

- Scheduling and/or changes to scheduled repair times,
- Length of time to complete repairs (particularly for complex repairs or repairs requiring an outside vendor) and/or,
- Visibility of current status of the work-order.

Compounding the challenge, most residents lacked the ability to track work order status in real time. Additionally, residents lacked confidence in the RCI private companies'/property manager's information systems designed to provide them with greater situational awareness of maintenance work orders. Survey data revealed the majority (866 of 1,175, 74%) of respondents were dissatisfied with follow-up conducted by property managers to ensure issues were corrected or resolved. Furthermore, at most (40 of 49, 82%) locations, residents did not know how to escalate issues with either the private company or the Army housing office.

Residents at nearly all (48 of 49, 98%) locations stated during sensing sessions they perceived the RCI company placed cost savings above the quality of work; life, health, and safety issues; and customer service. At nearly all (45 of 49, 91%) locations, residents expressed concerns about the professionalism of the maintenance staff. Some maintenance workers lacked the knowledge or equipment to properly resolve issues. At nearly all (45 of 49, 91%) locations, residents were also concerned about a lack of routine and preventative maintenance. Of particular concern was preventative

maintenance on heating, ventilation, and air conditioning (HVAC) systems as well as change-of-occupancy maintenance. At nearly all (46 of 49, 93%) locations, residents expressed concerns with move-in and move-out inspections. Residents often expressed the company was more stringent during the move-out inspection, where fees were incurred, than during the move-in inspection.

There was also a concern that company-provided customer satisfaction data conflicted with resident comments provided during the sensing sessions. As mentioned earlier, at nearly all (40 of 43, 93%) [6 locations did not have an IPMP] locations the residents expressed some level of dissatisfaction with the RCI private companies' property management practices, yet the customer data provided by the company generally displayed higher levels of resident satisfaction. Resident satisfaction is a factor in most IPMPs. Nearly all (40 of 43, 93%) locations used customer service/satisfaction as a metric for the IPMP, however there was not a consistent method to measure customer satisfaction (some used company-generated data, some used the Army residential survey data, some developed internal survey methods). A few (3 of 49, 6%) locations included residents (Soldiers of various grades and/or spouses) in determining resident satisfaction levels, as part of the IPMP. These locations appeared to have greater level of resident satisfaction and residents perceived they had a greater "voice" with the garrison team.

None (0 of 49, 0%) of the locations provided residents with a work order history or a Change of Occupancy Maintenance (COM) report prior to the resident signing the lease agreement. As stated previously, at nearly all (48 of 49, 98%) locations, residents expressed dissatisfaction with aspects of the maintenance performed on privatized housing. Additionally at nearly all (46 of 49, 93%) locations, residents expressed concerns with change-of-occupancy maintenance and residents expressed a lack trust and a lack of transparent communication from property management. Residents presented various instances of moving into housing with ventilation and HVAC systems full of dust, dirt, and pet hair. Another recurring complaint from residents was the condition of carpets. Often residents expressed they were required to pay for replacement carpeting, when due to the condition and age of the existing carpet, it should have been replaced prior to move-in. Residents expressed a general concern with the cleanliness of housing prior to moving. Many stated they had to thoroughly clean their home at move-in, yet residents perceived they were held to a higher cleanliness standard at move-out. Providing residents with a COM report or work order history could potentially mitigate these perceptions, and build resident confidence concerning the condition of their privatized housing.

Root Cause: N/A

Finding-6 Recommendations

Recommendation 13

ASA (IE&E), ICW ACSIM and AMC, establish a Resident Bill of Rights and implement within the lease and other applicable documents. (Ongoing)

Recommendation 14

AMC develop quarterly customer satisfaction metrics managed by the Army to support incentive compensation.

Recommendation 15

AMC develop a forum for residents to participate in RCI incentive payments.

Recommendation 16

AMC, ICW ACSIM, develop a process for the garrison housing office to provide the potential tenant with work order history and condition assessments and the most recent Change of Occupancy Maintenance (COM) for the rented property prior to lease signing.

Finding-7 (Observation)

Residents were unaware of mechanisms (i.e., ICE, garrison commander open door policy, local chain of command, RCI asset manager, garrison social media sites and town hall) to elevate housing concerns to GC and DPW housing staff.

Discussion

Standards.

- HQDA EXORD 102-19 (Army Housing Crisis Action Response), 8 March 2019.
- AR 600-20.

What We Found. At most (40 of 49, 82%) locations, residents attending sensing sessions did not know of their government housing representative, the RCI asset manager. The RCI asset manager is normally supervised by the DPW director at Army installations and may also be known as the housing manager or director. This person is the residents' liaison/advocate when the resident cannot resolve an issue with the companies' property management team. Most residents did not know this position exists, and often times believed the DPW housing office was part of the property management team. Frequently, the DPW housing office is co-located in the same building as the property manager. Survey data revealed only a few (262 of 1165, 22%) residents agreed the housing office advocates for the needs and satisfaction of the residents. Furthermore, most (40 of 49, 82%) housing offices were not part of Soldier in-processing or the installation newcomers brief. Nearly all (36 of 38, 95%)

governmental RCI asset managers stated they did not brief at the newcomers' orientation.

At most (38 of 49, 78%) locations, residents were not aware of garrison leadership mechanisms to gauge resident feedback (e.g. ICE, newcomer's brief). At some (18 of 49, 36%) locations, residents used the ICE System to raise housing concerns to the garrison leadership. Generally, residents who used ICE were satisfied with the results. At most (40 of 49, 81%) locations, SCs and GCs stated that following their local town halls, they were surprised at the number of personnel who did not know about feedback options. In general, residents who attended a command town hall prior to the DAIG sensing session, were more aware of their feedback mechanisms to the garrison leadership.

Root Cause. Don't Know

Finding 7 Recommendation

Recommendation 17

AMC assist garrison leadership in developing a communications plan to inform residents of available mechanisms to resolve resident concerns and update quarterly report templates to include resident outreach events.

Finding-8 (Best Practice)

Installation housing with a mayoral system seemed to have a higher degree of satisfaction that the garrison leadership was aware of their concerns.

Discussion

Standard. N/A.

What We Found. At a few (5 of 49, 10%) locations, resident sensing sessions revealed that installations with a mayoral system appeared to have a higher level of resident satisfaction. At these locations, the mayoral system provided residents another avenue to raise issues to the garrison leadership. It also provided a venue for the garrison leadership to communicate with residents. At most (42 of 49, 85%) locations, SCs and/or GCs expressed that a mayoral system would help to ensure that resident issues were communicated to leadership and the RCI private company.

Root Cause. N/A

Finding 8 Recommendation

Recommendation 18

AMC develop and provide guidance to garrisons on formalizing a residents' community association to address resident concerns.

Other Matters

Finding-9 (*Observation*)

The inspection revealed military families who spoke up about housing conditions and submitted multiple work orders experienced a perception of retribution, retaliation, or reprisal from RCI companies.

Discussion

Standard.

- HQDA EXORD 102-19.

What We Found. Throughout the inspection, residents notified the team of perceived instances of retribution, retaliation, or reprisal by RCI private companies against military families. At a few (7 of 49, 14%) locations, residents who participated in sensing sessions shared a perception of retribution for complaints about specific housing issues. Residents perceived potential retaliation for submitting numerous work orders or highlighting inconsistencies with company performance. Examples from residents included additional move-out fees, fines due to yard maintenance or other discrepancies, and threats to call or involve the chain of command in various issues. In each case, residents described these types of actions immediately or shortly following a negative encounter with the private companies' property management team. Residents' lack of knowledge of feedback mechanisms to the chain of command and government housing offices aggravated these situations. In all instances, the inspection team informed residents in attendance of the various feedback mechanisms available to submit complaints. The team also reinforced the Army zero-tolerance policy regarding retaliation and the installation-specific guidance regarding these regulations.

Each resident was offered the opportunity to speak with DAIG privately at the conclusion of the sensing session. All cases were then referred to the local installation/command inspector general for action. Cases were also reported to the DAIG Assistance Division for situational awareness.

Root Cause. N/A

Finding 9 Recommendation

Recommendation 19

IAW HQDA EXORD 102-19 ARMY HOUSING CRISIS ACTION RESPONSE, ACSIM, ICW Commanders of Army Commands (ACOM), Army Service Component Commands (ASCC), Direct Reporting Units (DRU), with senior commanders of posts with Army housing, continue to maintain a command hotline at each installation to respond to Army housing concerns of Soldiers and Families (Para 3.C.12.A.7.). (Complete)

Finding-10 (Observation)

Historical houses present unique challenges to the Army, RCI companies, and tenants.

Discussion

Standards.

- Part 68, Title 36, Code of Federal Regulations (36 CFR 68).
- Part 800, Title 36, Code of Federal Regulations (36 CFR 800).

What We Found. There are 25 Army installations with homes classified as historic. The total number of historic homes is 4,056, which represents approximately 5% of the total number of privatized homes. SCs and GCs at all (25 of 25, 100%) of these installations, stated historic homes present unique challenges to the Army, private company property managers, and residents. These challenges lie in the rules and laws regarding historic homes, energy efficiency and specialized maintenance requirements. The inspection team conducted a review of the various guidelines governing historic homes. The U.S. Secretary of the Interior's Standards for Treatment of Historic Properties (36 CFR 68) provides guidelines regarding how historic homes are managed. The addition of various state historic preservation laws and rules further complicates matters with additional requirements and processes. Collectively, these guide the development of Programmatic Agreements between each state and the U.S. Army garrison concerning the management of historical properties. Programmatic Agreements include the management of all historic properties and historic homes on Army installations. They prescribe rules and guidelines governing renovations, improvements, repairs, etc. These rules and governing documents present two challenges to both the Army and the private company. The first is the consultation process outlined in 36 CFR 800. If the Army or the private company at an installation want to deviate from the standards in the CFR to mitigate repair or operating and maintenance challenges, they must request a Section 106 process outlined in 36 CFR

800. The consultation process is highly procedural and time-consuming. The second challenge is the interaction with various State Historic Preservation Officers (SHPO). As part of the consultation process, the SHPO has the right to review and comment on all improvements and/or alterations to historic homes. Although SHPO does not have final approval regarding renovation scope, their review and comment creates a perception the SHPO has approval authority.

Historic homes are more costly to operate and maintain. Typically they are less energy-efficient and require specialized materials and specially trained personnel to repair damages or execute renovation scope. These homes also have unique health or safety concerns such as lead-based paint or asbestos. In addition, these homes are often very costly to renovate, and there are strict rules about the craftsmanship and types of materials that can be used. Examples of these restrictions include the use of custom windows, custom roofing, or the use of plaster versus drywall. These restrictions can also vary by home and by installation. For example, at one installation, various historic homes may have multiple-sized windows that must be custom made. This further complicates repair and renovation projects and increases the cost and timeliness to complete the work.

Root Cause. N/A

Finding 10 Recommendation

Recommendation 20

ASA (IE&E) ICW ACSIM and AMC review/assess the feasibility of continuing the historic home programmatic agreements, to include conducting a cost benefit analysis.

4-Summary

On 13 February 2019, the Secretary of the Army directed an inspection of Army RCI Privatized Housing Program to determine the effectiveness, responsiveness, and value of RCI companies.

DAIG began the inspection on 14 February 2019 and completed it on 20 March 2019. The inspection focused on determining the effectiveness, responsiveness, and value of RCI companies at each installation across all Army components. The inspection analyzed information and data collected through research, document reviews, observations, interviews, sensing sessions and surveys with leaders, housing staff, Soldiers, and their Families at 49 locations. The team contacted 1,841 personnel during the inspection.

Overall, the inspectors identified ten findings: one best practice, three deficiencies, and seven observations.

The team made 20 recommendations to address the findings identified during this inspection.

Stakeholder	Recommendation	Concurrence
DCS, G-1	1. In coordination with (ICW) Assistant Secretary of the Army (Installations, Energy and Environment) (ASA IE&E), Assistant Secretary of the Army (Manpower and Reserve Affairs), Assistant Chief of Staff for Installation Management (ACSIM), Army Materiel Command (AMC), and United States Army Reserve (USAR) / Army National Guard (ARNG) as appropriate, revise and publish AR 600-20 to include Senior Commander (SC) authorities for the oversight of housing. In the interim publish an Army Directive (AD) as a bridging strategy. 2. ICW ACSIM, use the RCI content from the RCI PAM Handbook and develop/publish a single authoritative source for RCI to reinforce AR 420-1 and DA PAM 420-1-1 in order to standardize policies across each installation.	CONCUR
	3. ICW ACSIM, establish Enterprise Military Housing (eMH) as a single document repository NLT 30 September 2019. (Ongoing) 4. ICW ACSIM, AMC, and USACE, review/rewrite the RCI report templates to include life, health and safety metrics. 5. ICW ACSIM, AMC, and USACE enforce periodic RCI compliance inspections and develop follow-up mechanisms that includes the SC as part of the compliance oversight.	CONCUR
ASA (IE&E)		CONCUR
		CONCUR
		CONCUR

AMC	6. ICW ACSIM, AMC, and USACE, establish/implement an enterprise approach (ASA (IE&E) down through garrisons)) to include a campaign plan for synchronizing and reporting on a frequent basis. (Ongoing)	CONCUR
	7. ICW ACSIM, AMC and Office of the General Counsel (OGC), review/reassess the current RCI baseline business agreements and ground lease agreements, and ASA (IE&E) should consider renegotiation procedures to address the financial transparency and operational accountability of the RCI companies.	CONCUR
	10. ICW ACSIM and AMC, request operational and financial audit (to include historical records) of each project and establish a battle rhythm to validate portions of RCI program financial statements and operating expenses.	CONCUR
	11. ICW ACSIM, AMC, and Training and Doctrine Command (TRADOC), develop and/or enhance existing multi-level strategies to educate senior commanders, garrison commanders and staff on the regulations, policies, and authorities for RCI oversight.	CONCUR
	13. ICW ACSIM and AMC, establish a Tenant Bill of Rights and implement within the lease and other applicable documents. (Ongoing)	CONCUR
	20. ICW ACSIM and AMC, review/assess the feasibility of continuing the historic home programmatic agreements, to include conducting a cost-benefit analysis.	CONCUR
	8. Conduct a manpower assessment to validate housing office personnel shortfalls to include financial and engineer expertise and recruit to fill positions. (Ongoing)	CONCUR
	9. Develop and publish QA/QC processes and procedures. Provide oversight and validate/certify garrison QA/QC operations.	CONCUR
	12. Establish certification criteria and teams to train, provide assistance and certify garrison housing office operations on the current agreements NLT six months from date of this report.	CONCUR
	14. Develop quarterly customer satisfaction metrics managed by the Army to support incentive compensation.	CONCUR
	15. Develop a forum for residents to participate in RCI incentive payments.	CONCUR
	16. ICW ACSIM, develop a process for the garrison housing office to provide the potential tenant with work order history and condition assessments and the most recent Change of Occupancy Maintenance (COM) for the rented property prior to lease signing.	CONCUR
	17. Assist garrison leadership in developing a communications plan to inform residents of available mechanisms to resolve resident concerns and update quarterly report templates to include resident outreach events.	CONCUR

	18. Develop and provide guidance to garrisons on formalizing a residents' community association to address resident concerns.	CONCUR
ACSIM	19. IAW HODA EXORD 102-19 ARMY HOUSING CRISIS ACTION RESPONSE, ICW Commanders of Army Commands (ACOM), Army Service Component Commands (ASCC), and Direct Reporting Units (DRU), with senior commanders of posts with Army housing, continue to maintain a command hotline at each installation to respond to Army housing concerns of Soldiers and Families (Para 3.C.12.A.7.). (Complete)	CONCUR

Appendix A-Inspection Findings Definitions

Finding. An issue identified by an Inspector General during the course of an Inspection and noted in the final Inspection Report. Inspection Findings consist of six sub-categories: Failing Deficiencies, Deficiencies, Minor Deficiencies, Observations, Other Matters and Positive Notes / Trends.

Failing Deficiency	BLUF*	A serious deviation from the standard identified during an inspection that requires immediate attention/resolution and results in an overall failure of the inspection as defined by the proponent / SECARMY*.
	<i>Full Definition</i>	A serious deviation from the standard identified during an inspection that requires immediate attention/resolution and results in an overall failure of the inspection as defined by the proponent/SECARMY*. All Failing Deficiencies must have a root cause. A Failing Deficiency must have at least one Urgent Recommendation. A Failing Deficiency may have one or more Recommendations outlining corrective actions. For systemic inspections, a Failing Deficiency may be identified when "Most" of the units inspected were not in compliance with an Inspection Objective based on a definitive standard that the Army is required to adhere to (e.g. a Federal Statute or Department of Defense Directive). The Responsible Entities associated with a Failing Deficiency <u>will</u> be tasked by the appropriate Army tasking authority to submit either a corrective Action Plan to the DAIG Inspection Follow-up Office or completed action to the respective DAIG Compliance Division. Failing Deficiencies will be briefed to Senior Army Leadership, even if the Failing Deficiency was corrected "on the spot."
Deficiency	BLUF*	A deviation from the standard or problem identified during an inspection needing senior leader resolution / attention.
	<i>Full Definition</i>	A deviation from the standard / problem identified by an Inspector General during an inspection needing senior leader resolution / attention (from unit commander to SA level). A deficiency must have at least one recommendation outlining corrective actions. A deficiency may or may not be based on a definitive standard (e.g. lack of policy guidance that seriously impacts the organization's mission may be considered a deficiency). The responsible entities with a deficiency <u>will</u> be tasked by the appropriate Army tasking authority to submit either a corrective action plan to the DAIG Inspection Follow-up Office or completed action to the respective DAIG compliance division. All open Army inspection deficiencies <u>may</u> be briefed to the senior leaders of the Army.
Minor Deficiency	BLUF*	A deviation from standard or problem identified during an inspection that has only minor impact / consequences and doesn't require special attention from higher echelon commands / the Senior Leaders of the Army.
	<i>Full Definition</i>	A problem identified during a inspection that, in the informed opinion of the Inspection Team, has only minor impact/consequences and doesn't require special attention from higher command echelons / the senior leaders of the Army. A minor deficiency may or may not be based on an established standard (e.g. lack of policy guidance may be a minor deficiency). A minor deficiency <u>must</u> have a root cause and recommendation, and may have multiple recommendations outlining corrective action(s). A repeat minor deficiency from the previous IG inspection that has not been corrected may be upgraded to a deficiency. The Responsible Entities associated with a minor deficiency <u>may</u> be tasked by the appropriate Army tasking authority to submit either a corrective action plan to the DAIG Inspection Follow-up Office or completed action to the respective DAIG compliance division. Unresolved Army Inspection minor deficiencies <u>may</u> , but are not usually, briefed to the Senior Leaders of the Army.
Observation	BLUF*	A problem identified during an inspection that has a negative impact on the organization / Army.
	<i>Full Definition</i>	A problem identified during a inspection that, in the informed opinion of the Inspection Team, has a negative impact on the organization / Army that cannot be traced to an established standard (e.g. lack of policy guidance may be an observation). An observation may or may not have a root cause and recommendation, and may have multiple recommendations outlining corrective action(s). The Responsible Entities associated with a minor deficiency <u>may</u> be tasked by the appropriate Army tasking authority to submit either a corrective action plan to the DAIG Inspection Follow-up Office or completed action to the respective DAIG compliance division. Unresolved Army Inspection Observations <u>may</u> , but are not usually, briefed to the Senior Leaders of the Army.
Other Matter	BLUF*	Problems identified by an inspection team that are outside the scope of a particular inspection
	<i>Full Definition</i>	Issues that are outside the scope of a particular inspection that may be of concern to Army Senior Leaders (e.g., a physical security issue noticed during an information assurance inspection). An other matter may or may not be a deviation from a standard and may or may not have a root cause. Other matters must have one or more Recommendation(s) / Urgent Recommendation(s). The Responsible Entities associated with an Other Matter <u>may</u> be tasked by the Director of the Army Staff with submitting an Action Plan to the USAIGA Inspection Follow-up Office. Unresolved Army Inspection Other Matters <u>may</u> , but are not usually, briefed to the Senior Leaders of the Army.
Positive Note/Trend	BLUF*	The positive areas or best practices identified during an IG inspection that are worthy of recognition.
	<i>Full Definition</i>	The positive areas or best practices identified during an IG inspection that are worthy of recognition. Positive Notes / Trends should be widely publicized in order to improve operations across the force (e.g. through TIG updates). The term "Positive Notes" applies to individual units, while the term "Positive Trends" is intended to apply to several units inspected as part of a systemic inspection. Positive Notes / Trends may be briefed to the Senior Leaders of the Army.

Appendix B-References

The standards for this inspection follow:

- Part 68, Title 36, Code of Federal Regulations (36 CFR 68).
- Part 800, Title 36, Code of Federal Regulations (36 CFR 800).
- Department of Defense (DOD) Directive 5000.01, "The Defense Acquisition System," 31 August 2018.
- DOD Manual 4165.63, "DOD Housing Management," 28 October 2010.
- AR 420-1 (Army Facilities Management), 12 February 2008.
- AR 600-20 (Army Command Policy), 6 November 2014.
- DA PAM 420-1-1 (Housing Management), 2 April 2009.
- Residential Communities Initiative Privatized Army Lodging Portfolio and Asset Management Handbook, Version 5.0, September 2014.
- HQDA EXORD 102-19 (Army Housing Crisis Action Response), 14 February 2019.
- Memorandum, Headquarters (HQ) Department of the Army (DA), SAIE, 5 February 2013, subject: Residential Communities Initiative (RCI) Policy for Major Decisions Authority-Policy Memorandum #1.
- Memorandum, Headquarters (HQ) Department of the Army (DA), SAIE-IHP, 16 August 2018, subject: Documentum Data Migration and Shutdown.

Appendix C-Acronyms and Abbreviations

AAA – Army Audit Agency
ACOM – Army Command
ACSIM – Assistant Chief of Staff for Installation Management
AD – Army Directive
ARNG – Army National Guard
AMC – Army Materiel Command
ASA (M&RA) – Assistant Secretary of the Army for Manpower and Reserve Affairs ASA
(IE&E) – Assistant Secretary of the Army for Installations, Energy and Environment
ASCC – Army Service Component Command
AC – Active Component
COM – Change of Occupancy Maintenance
CFR – Code of Federal Regulations
DAIG – Department of the Army Inspector General
DASA – Deputy Assistant Secretary of the Army
DCS – Deputy Chief of Staff
DPW – Directorate of Public Works
DRU – Direct Reporting Unit
EXORD – Execution Order
FAR – Federal Acquisition Regulation
GAAP – Generally Accepted Accounting Principles
GC – Garrison Commander
HQDA – Headquarters Department of the Army
HSO – Housing Services Office
HVAC – Heating, Ventilation and Air Conditioning
ICE – Interaction Customer Evaluation
ICW – In Coordination With
IMCOM – Installation Management Command
IPMP – Incentive Performance Management Plan
LLC – Limited Liability Company
MPHI – Military Privatized Housing Initiative
OGC – Office of the General Counsel
PAL – Privatized Army Lodging
PPD-PM – Privatization and Partnership Division-Project Manager
QA/QC – Quality Assurance/Quality Control
RCI – Residential Communities Initiative
RCI PAM – Residential Communities Initiative Portfolio and Asset Management
ROI – Return On Investment
SC – Senior Commander
SOP – Standard Operating Procedure
TDA – Table of Distribution and Allowances
USACE – United States Army Corps of Engineers
USAR – United States Army Reserve